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Market Study: Voluntary Green Power Purchasing by C & I Customers.

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Introduction

- The voluntary purchase of renewable energy by commercial and industrial users has had a significant impact on the market for green power sources. This Market research attempts to identify key drivers motivating C&I customers and hopes to gain insight into their purchasing process and experience.
- The study is has been conducted by the Bainbridge Graduate Institute – MBA in Sustainable Business program, under the direction of Dr. April Atwood of the University of Washington Business School with support from Shuksan Energy Consulting.



Study Objectives

1. Identify key drivers for the purchase
Why did they buy?
2. Better understand the purchasing process
How did they buy?
3. Identify factors impacting their selections
Why did they buy that? From them?
4. Gain insights into the purchase experience
What did they learn?



Intended uses of study results

- Obtain data that can be helpful to product suppliers, designers, marketers and advocates for future efforts
- Identify “lessons learned” that can help future customers implement successful purchases



Research methodology

- Personal interviews based on a survey questionnaire are conducted by student researchers with key individuals of the respondent organization
- Respondents fit the study profile and have made a publicly announced purchase of renewable energy
- Not attempting a statistically representative sample of all buyers
- Responses are cross checked with publicly available information



Definitions

- Green Power/Renewable Energy
 - Broad definition includes the purchase of electricity offerings which are presented as being environmentally preferred.
- Types of Purchase
 - On-site power generation, Green Power contracting, Renewable Tradable Certificates (REC) all qualify
- Sources
 - Anything that is or can be Green-e certified: Wind, solar, landfill gas, geothermal, qualifying hydro, etc
- Commercial and Industrial customers
 - Business and institutions who purchase at C&I rates. Respondents are generally over 1000 MWh per year and are not sole proprietorships.



Example Respondents

- Aveda
- East West Partners
- Keystone Resort
- Lockheed Martin
- Loyola Marymount University
- Salomon North America
- Starbucks Coffee Company
- The Timberland Company
- Traditional Medicinals



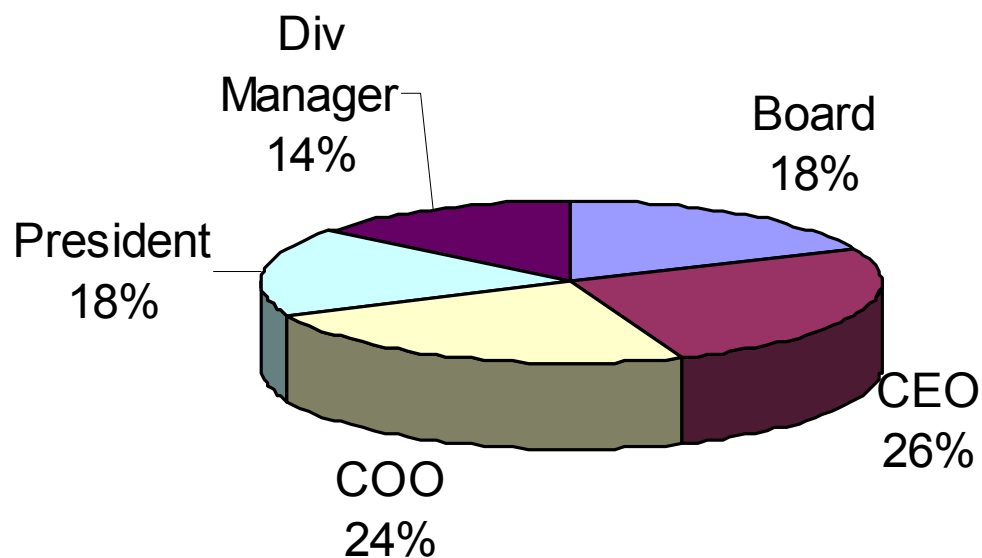
Disclaimers

- Findings are not statistically representative and therefore results are offered as indicators and trends



Finding 1: Who makes the decision?

- Green Power purchasing decisions are made at very high levels of an organization relative to the dollar size of the purchase
- Lowest level: Chief Operating Officer or Divisional President
- Highest: The Board of Directors





Finding 2: Multiple Purchase Drivers

Respondents universally report multiple motives (drivers) influenced their decision to purchase renewable energy.

Via interview process and discussion the researcher worked to identify the specific drivers and assign a percentage of influence.

Note of Caution: It is our conclusion that the emphasis can and does vary based on the audience and who is representing the company's position, both internally and externally



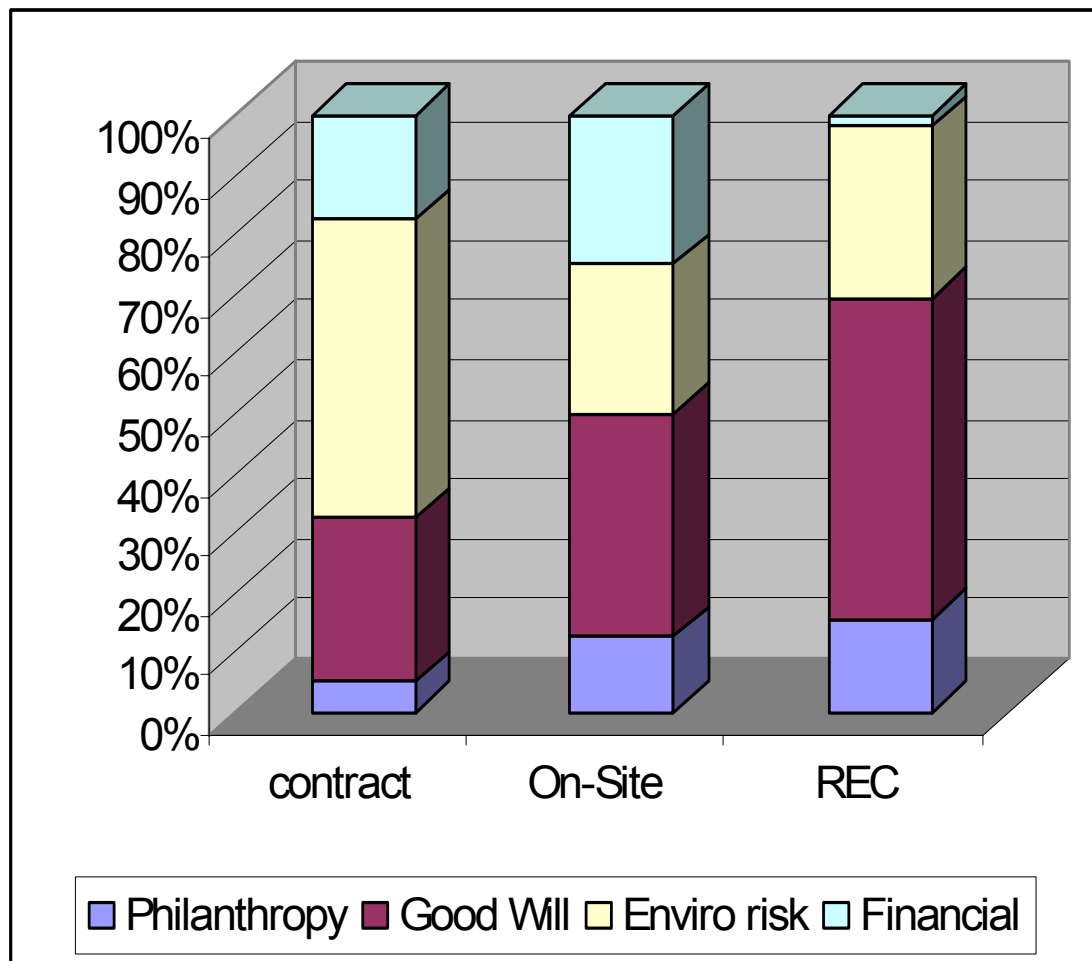
Finding 3: Purchase drivers fall into 4 categories

- 1. Philanthropy**
a pure “do the right thing” purchase
- 2. Goodwill**
i.e. customer impact, employee satisfaction, PR
- 3. Mitigation of Environmental risks**
i.e. GHG reductions, emissions off-sets, meet self imposed limits, reduce environmental footprint
- 4. Financial motivators**
i.e. Reduce cost of electricity, hedge exposure to price volatility, mitigate future cost of GHG emissions, power quality/reliability risks



Finding 4: Purchase drivers Differ by product

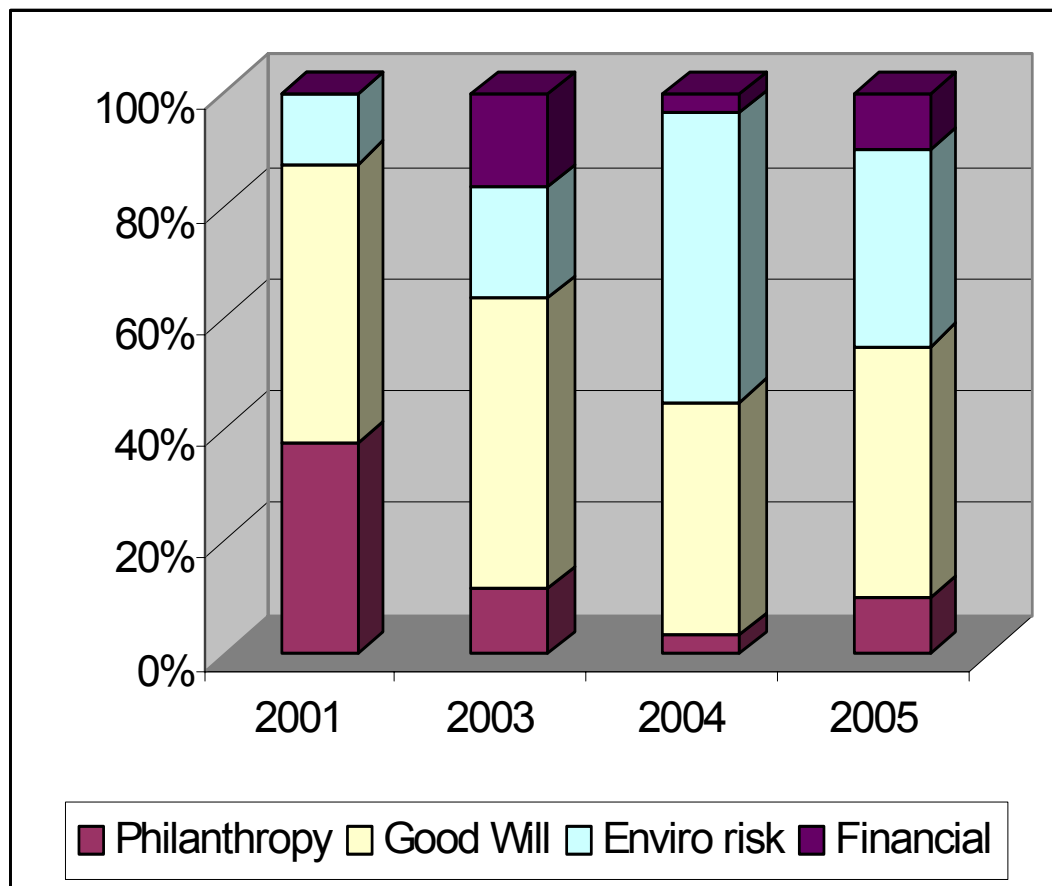
- Motivation tends to be different for different product types.
 - RECs
 - On-site generation
 - Energy contracts





Finding 5: Purchase drivers are changing

“Hard” issues have become more important while pure philanthropy has declined in importance



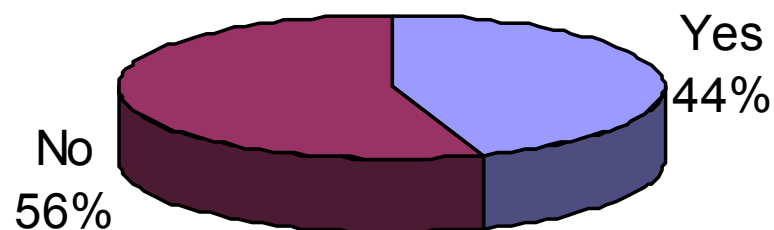
No '02 purchases in data set



Finding 6: Green Business as a purchasing factor

Respondents with a formal Corporate Social Responsibility (CSR) program

- Voluntary reporting (GRI)
- CSR job title or responsibility
- Signatory to a CSR charter or commitment
 - CERES
 - Business for Social Responsibility (BSR)
 - The Natural Step





Conclusion

- Many participants in green power markets have strong anecdotal understandings of the purchase process and experience for C&I green power customers, but those intuitive understandings can be much better shared and compared as well as proven or disproved with a sound market research effort.
- Valuable insights have already been gained, the final report will contain a full review



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